



City of Alameda • California

July 20, 2020

Anthony Megliola - Base Closure Manager
Naval Facilities Engineering Command
BRAG Program Management Office WEST
33000 Nixie Way, Bldg. 50
San Diego, CA 92147

Dear Tony:

I am following up on your recent request that the City provide the Navy with more information about the definition of “affordable housing” the City uses to calculate the number of market rate units and the number of affordable units previously built, or to be built subject to the Economic Development Conveyance Memorandum of Agreement (EDC MOA) Amendment No. 2 housing cap.

As discussed, an affordable unit has a specific definition, which includes several criteria described below:

- **The unit (or units) must be subject to a regulatory agreement.** The regulatory agreement would be between the owner of the property and a governmental entity (typically the City, but it could be the County, the Alameda Housing Authority or the State of California). There are often multiple regulatory agreements in place for affordable housing units due to the different funding sources. The regulatory agreement specifies the term of the affordability requirement, typically 55 years, the required resale provisions if the unit is an ownership unit (designed to maintain affordability over time), maximum income limits for the tenant/owner, etc.
- **The tenant/owner must make no more than a specified income.** Affordable housing is defined as housing that is affordable to those making up to 120% of the Area Median Income (AMI). Very low-income is defined as earning up to 50% of the AMI, low-income is defined as earning 50% – 80% of AMI, and moderate-income is defined as earning 80% - 120% of AMI. If a household earns more than the defined income, that household is not eligible to rent or own an affordable housing unit. Income limits are further defined in California Health and Safety Code Section 50053.

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- **The rent/purchase price must be affordable to a qualifying household.** An affordable rent is defined as an annual rent payment that is no more than 30% of a qualifying household's annual income. An affordable mortgage is defined as an annual mortgage payment that is no more than 30% of a qualifying household's annual income for very low- and low-income households and 35% of annual income for moderate-income households.

The combination of income limits and rent/sale price limits captured in a regulatory agreement ensures that the housing remains affordable over time to the target demographic, those who are very low- to moderate-income.

For purposes of the EDC MOA unit count, unless a unit meets all of the criteria outlined above, it is not an affordable unit and would not be counted as such. The City is seeking confirmation that it is only required to include market rate units when tallying the housing count and to pay the Navy only for the number of market rate units that exceed that cap, which we understand is 2,011 units. [With 505 units existing market rate units, 1,506 additional market rate units can be built before the cap is exceeded.] We also conclude that the City is permitted to construct as many affordable units (as described above) as it elects, without an obligation to pay the amount described in the EDC MOA.

I hope the information provided in this letter is helpful as you work to confirm the numbers in the City's 2019 Market Rate Unit Report and the methodology by which they were derived, as described in the City's May 27, 2020 letter. I appreciate your time and attention to our request. If you have any questions or need additional information, please call me at (510) 867-6595 (cell phone).

Sincerely,



Debbie Potter
Community Development Director

Cc: Lisa Maxwell, Assistant City Attorney
George Schlossberg, Esq., Kutak Rock
Michelle Giles, Base Reuse Manager